



SAMPLE COHOUSING INVESTMENT/LOAN DOCUMENTS

The enclosed sample documents are similar to what CoHousing Solutions has used with numerous cohousing development projects as the legal structure for taking in community member and outside investor funds for development of the project. They are based on boilerplates we have refined over the last 20 years with our attorneys.

They include:

1. This cover letter that explains the package
2. A sample financing disclosure package and the receipt you want to get back from your investors that says they have received the disclosure.
3. A sample Community Member Promissory Note
4. A sample Community Member interest-only Note (if they withdraw)
5. A sample Outside Investor Note
6. A sample Participating Investor Note
7. Investor Questionnaire
8. Subscription Agreement
9. Sample memo RE: what to do with all this
10. Receipt
11. Member investment tracking spreadsheet
12. P-Note Payoff contribution
13. Sample Payments
14. Sample Investment Discounts w/ Cash Flow

I want to emphasize that these documents illustrate how a particular group at a particular time and place chose to express its agreements. Each state has somewhat different regulations. Each community has its unique situations. These documents by no means represent the only way for a cohousing group to organize itself. In fact, groups find that the very act of hashing out their own agreements helps them to define themselves and their specific needs, pulling them together as a community. No model or other shortcut can replace this effort.

In addition, these documents are not intended to replace legal counsel. Each community should engage its own legal counsel to advise it and prepare its actual documents.

The intention of the model documents is to share how other groups have structured their development systems; to give you some ideas and a jumping off point. It will give you a sense of what to keep in mind; it might keep you from “reinventing the wheel” so you can spend your time and money on more fun realms of community building.

The CoHousing Solutions System:

CoHousing Solutions, CoHousing Partners and Wonderland Hill Development Company, the most experienced cohousing developers in North America, have used a system of unsecured loans from community members to raise the pre-development funds needed to pursue any cohousing development project. Community members invest at different levels as the Project proceeds, starting with relatively small amounts of investment to get going and pay for organizing and feasibility work; but ultimately requiring substantial investment before the start of construction in order to secure a construction loan from a bank. Most existing cohousing communities had to raise between \$1,000,000 and \$2,500,000 to get their project built. While this may seem overwhelming at first, I can attest that it is quite doable once you have a viable project.

In our system, the unsecured loans made to the project earn community members discounts on the purchase of their homes. This system has many benefits for the project; among them, reducing overall home prices (and the associated costs such as real estate taxes and closing costs), and a reward system that is not so closely tied to time. Thus, if the community takes longer than initially expected, you have less of an impact from accumulated financing interest. The amount of the discount earned depends on how much a household invested at various times through the project development.

Asking people to invest their hard-earned funds is a serious endeavor and requires the appropriate paperwork to document the transactions. It is critical that people understand the risks. Thus the Financial Disclosure, which is not a marketing document but rather is meant to give full disclosure of all the risks involved in real estate development. I try to warn people in person before they receive the document, explaining that “it will explain that they can lose all their money if the project doesn’t succeed.” Don’t try to offer guarantees when there aren’t any. And you’ll get better, more committed community members once they understand they are really committing to seeing the project through to the end, whether they end up buying-in or not.

In addition, the package shares a number of other documents we’ve found to be particularly useful: a receipt you can use to acknowledge people’s financial commitment while you are in the process of getting the promissory notes done, a spreadsheet set up to track all these loans and discounts, and a handy confirmation for people to sign acknowledging when the loan has been repaid. The real value is when you see the whole package and think “this is all so obvious, once we see the whole package,” but you didn’t spend thousands of dollars asking your attorney to invent a system, nor have to go thru the painful lessons of refining the system thru numerous projects.